

In response to the ongoing undervaluation of China's currency, the U.S. House on Wednesday passed legislation designed to protect American manufacturers against unfair currency manipulation.

The Currency Reform for Fair Trade Act (H.R. 2378) passed the House by a vote of 348-79. Co-sponsored by Rep. Peter Welch, the legislation encourages the U.S. Department of Commerce to treat currency undervaluation as a prohibited export subsidy, allowing the U.S. government to impose reasonable duties on goods from countries that deliberately undervalue their currency.

"When countries like China resist the natural appreciation of their currency, it places a severe disadvantage on countries like ours that play by the rules," Welch said. "This legislation levels the playing field, helping to protect American jobs against unfair trade policies and coming to the defense of American manufacturers who are working to recover from the recession."

According to the International Monetary Fund, the U.S. Treasury Department and many noted economists, China's currency, the Renminbi (RMB), is significantly undervalued — by as much as 40 percent, by some accounts.

The protracted undervaluation of the RMB by China makes that country's exports to the U.S. artificially cheap and U.S. exports to China artificially expensive, contributing significantly to China's vast trade imbalance with the U.S. This policy severely hampers U.S. competitiveness in countries where U.S. exports go head-to-head with Chinese exports for sales.

The legislation will now go to the Senate for consideration.

Watch Rep. Welch urge his colleagues to pass this bill on the House floor: